Technical
Safety Authority
of Saskatchewan

2012 Annual Report

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Message from the Board Chair

It is my pleasure to submit the 2011/2012 Annual Report of the Technical Safety Authority of Saskatchewan (TSASK) as part of our accountability to industry, the Province and the people of Saskatchewan.

TSASK's Board of Directors is responsible for promoting the stewardship of the organization, including promoting sound corporate governance practices. The Board provides oversight of the organization and takes a leading role in the establishment of the organization's strategic direction.

A commitment to accountability was demonstrated in the first annual Director Development program. A full day of training took place with both internal and external speakers to ensure TSASK's Board members have the knowledge and skills they need to oversee and govern our organization.

Board members also participated in face-to-face learning opportunities with TSASK program staff, involving boilers and pressure vessels, and elevators. These initiatives enabled members to interact with TSASK employees to gain a better understanding of our business.

This second year of operation of TSASK has been a significant year of continuing to establish our identity outside of our previous government environment. I would like to thank the members of the Board of Directors for their leadership in guiding the organization as it continues to transition to a new operating model. I also extend a sincere thanks to all of our employees, who have come together to develop initiatives enabling us to make measurable and sustainable improvements to Saskatchewan's safety system.

I am confident that with a clear vision for our organization, the experience of our directors, the dedication of our employees, we will meet the high standards of excellence expected of us by our industry stakeholders, the provincial government and the people of Saskatchewan.

Robert Schutzman – Chair of the Board

Message from the Chief Executive Officer

During this past year, we have acted to reinforce our commitment to enhanced safety outcomes and to strengthen our industry dialogue and consultation. While we have more opportunities for improvement, we have had numerous accomplishments to celebrate over the past year with respect to improved services and increased value for money.

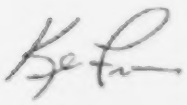
First and foremost is public safety. We hired more inspectors in each of the technologies we regulate in order to adequately meet the demands placed on us by the economic and industrial growth in the province. In addition, we have undertaken the implementation of a new information technology system that is focused on code-compliance. Once fully operational, it will assist in the allocation of resources and provide for more efficient and effective deployment.

With continued recognition of the importance of customer relationship excellence, we demonstrated our ability to better serve our customers by focusing our efforts on key customer satisfaction drivers. As a result, we improved our TSASK website to make more online forms available – with the intention of providing even more complete and comprehensive online applications in the near future.

Recognizing that our achievements depend on our employees, from a high performing team perspective, we continued to foster a collaborative and motivating work environment, made good progress in filling vacancies in operations, and continued to work on improving our human resources practices and programs.

We will further improve services to the benefit of our regulatory customers, including moving to a new location which will provide adequate parking and testing space for our clients.

Looking forward to fiscal year 2012/13 we will continue to enhance our core competencies across program areas to improve key business processes and enable more efficient and effective service delivery.



Ken From – Chief Executive Officer

Corporate Overview

The Technical Safety Authority of Saskatchewan (TSASK or the Authority) is a not-for-profit organization which was established effective July 1, 2010 through the passing of The Technical Safety Authority of Saskatchewan Act.

Our Corporate Mandate

The Technical Safety Authority of Saskatchewan is responsible for the administration and enforcement of the following legislation on behalf of the government:

- ***The Boiler and Pressure Vessel Act, 1999***
- ***The Amusement Ride Safety Act***
- ***The Passenger and Freight Elevator Act***

The key objective of the Authority is to protect public safety by delivering services that lead to the safe manufacture, installation, maintenance, use and operation of technical products, equipment and systems. The Authority's registration, inspection, certification and licensing programs and services operate on a fee-for-service basis. Our professional team provides a full range of programs and services including:

- Licensing and permitting
- Assessing equipment designs
- Overseeing fabrication and installation
- Assessing and certifying company knowledge and quality practices
- Testing and certifying industry personnel
- Inspecting equipment
- Educating and informing
- Contributing to the advancement of safety standards
- Enforcing standards and legislation
- Investigating reported incidents

These services are provided to individuals and organizations that design, manufacture, install, operate and own the technical equipment within our area of responsibility.

Our Vision

Recognized as a leading safety authority – a Saskatchewan service provider, inspiring and shaping excellence in public safety.

Our Mission

In collaboration with owners, operators and industry, we provide professional safety, educational and regulatory services that instill a high level of confidence in our public safety system.

Our Values

SAFETY IS PARAMOUNT - We practice uncompromised safety in and through the services we deliver.

INTEGRITY - We are open, honest, ethical and transparent in our conduct.

ACCOUNTABILITY - We are committed to responsible, consistent and dependable actions.

TEAMWORK - We believe in the strength of collaborative efforts.

RESPECT - We treat colleagues, clients and stakeholders with respect.

RECOGNITION - We value and acknowledge the work, ideas, initiatives and contributions of our colleagues and clients.

PROFESSIONAL SERVICE - We add value to our clients through excellence in everything we do.

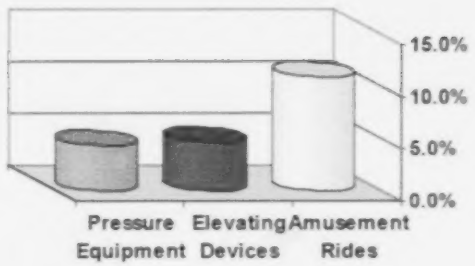
CONTINUOUS LEARNING - We invest in our employees' learning, growth and transfer of knowledge to support continuous improvement.

Report on Performance

The Technical Safety Authority of Saskatchewan provides numerous professional programs and services which help ensure the operation of pressure equipment, elevating devices, and amusement rides are in accordance with established safety standards set out in legislation and regulations.

Inventories of Regulated Equipment

Saskatchewan continues to experience growth in the inventory levels of equipment regulated by TSASK. In 2011-12 there was an overall growth of 4.4% in the licensed pressure equipment inventory and 4.7% in the licensed elevating device inventory. The number of amusement rides that operated in Saskatchewan during 2011-12 increased significantly by 11%.



Inspection Services

In 2011-12, TSASK provided levels of inspection services commensurate to the needs of industry and to levels required for an effective and efficient safety program. TSASK performed 6,244 in-service pressure equipment inspections, 3,498 pressure equipment installation acceptance inspections, 2,583 in-service elevating device inspections, 203 elevating device modification, modernization, and installation acceptance inspections and 305 amusement ride initial set-up inspections. Additional follow-up and manufacturing inspections were performed.

Compared to last year, there was a decrease in total pressure equipment inspections of 897 inspections from the 10,609 performed last year. Combined with the increase in inventory levels, the percentage of inventory items inspected dropped slightly to 36%. It is not intended that all pressure equipment receive an annual inspection. The purpose of periodic inspections is to determine the condition of the equipment and its fitness to continue to operate safely considering the operating conditions and environment. Inspection frequencies vary between one and five years which is consistent with many other regulatory jurisdictions.

Compared to 2010-11, elevating device inspections increased by over 9% from the 2,364 in-service inspections performed last year. Additionally, a significant increase of 19% was seen in the demand for acceptance inspections. Similar to pressure equipment, it is not intended that all elevating devices receive an annual inspection. However, the percentage is significantly higher as inspection frequencies for elevating devices recognize that they operate in an environment of higher mechanical wear due to the dynamics of moving parts and cyclic nature of their operations. In 2011-12, 81% of all elevating devices received an inspection compared to 77% in the previous year.

Amusement rides are inspected annually and TSASK has performed to this high standard again, noting a significant increase in the number of rides that operated in 2011-12.

Pressure Equipment Competency Certifications

In addition to administering inspection services, TSASK provides programs to ensure companies and people working on pressure equipment meet minimum competency standards. In 2011-12, TSASK issued 158 certificates of authorization to companies having demonstrated quality control systems for the installation, repair, alteration and / or manufacture of pressure equipment. These companies were further supported by the 2,402 licenses issued to pressure welders. To issue the licenses, TSASK administered 1,058 physical demonstration and examination tests of welders and assessed qualifications held by welders from other provinces and authorized testing companies.

Design Survey

TSASK reviews designs for pressure equipment and elevating devices intended to be operated in Saskatchewan to determine that the design complies with provincial legislation and relevant codes and standards. 1,804 pressure equipment designs were reviewed and registered compared to 1,731 in the previous year. 209 elevating device plans were registered in 2011-12, up significantly from the 153 in 2010-11. A backlog of pressure equipment designs still exists at the completion of 2011-12. However, management began to implement plans for making further progress in reducing the backlog and offering clients service level options for 2012-13.

Power Engineering

There are 12,113 valid power engineering licenses in Saskatchewan for the operation of boilers and refrigeration plants operating in the province. TSASK processed 2,253 license renewals and conducted 3,216 examinations for people working towards a new or upgraded certification level. Examinations conducted increased by 5.9% from the previous year total of 3,038.

TSASK actively participates with a national committee that has standardized an examination question bank and examination policy that allows for the recognition of a power engineer's certification by other provinces. TSASK administers the third most standardized exams in the country behind Alberta and Ontario.

Quality Management Systems (QMS)

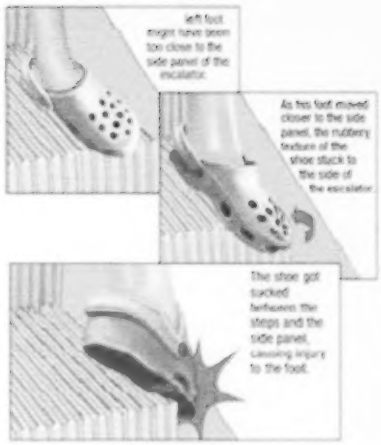
A Quality Management System of inspections provides a pressure equipment owner or insurer with the opportunity to establish a documented inspection program and employ qualified inspection personnel to perform recognized periodic inspections on equipment they own or insure.

TSASK has continued to educate industry on the benefits of developing such a program and currently has 6 companies and 13.7% of its licensed provincial inventory operating under a Quality Management System. This represents a small decrease from last year's 14.3% due to greater growth in new pressure equipment installations to non-QMS companies.

Accidents and Incidents

This year saw the widely reported news of an explosion that occurred in October 2011 at the Consumer's Cooperative Refineries Limited. The explosion was the result of a diesel – hydrogen gas mixture release from a section of piping. TSASK participated in an investigation lead by the Regina Fire Department and included the provincial Office of the Fire Commissioner and Occupational Health and Safety. The investigation report noted the cause of the incident was deemed an accident due to corrosion. TSASK plans to further review the report to determine if there are safety learnings that may further be shared with industry.

TSASK further reports that there were no fatalities or serious injuries associated with the failure of other equipment regulated. In total there were 18 incidents reported to TSASK during the 2011-12 program year (8 pressure equipment, 8 elevating device, and 2 amusement rides). This represents an increase from the 8 incidents reported in the previous year. There were a few incidents of foot entrapments with the use of escalators prompting TSASK to issue a safety bulletin and directive to all escalator owners alerting them to the risk and mandating the installation of an additional safety device by December 2013 to further reduce the risk.


left foot might have been too close to the side panel of the escalator.
As his foot moved closer to the side panel, the rubbery texture of the shoe stuck to the side of the escalator.
The shoe got sucked between the steps and the side panel, causing injury to the foot.

TSASK is happy to report that program personnel have also experienced a safe year with no lost time incidents occurring over the last 50,800 man-hours.

Appeals

One of the many new initiatives contained within the *Boiler and Pressure Vessel Act, 1999* was the recognition of the Boiler and Pressure Vessel Safety Board. This Board was established to hear appeals against the decision of the Chief Inspector in matters related to the cancellation or suspension of a license, the refusal to register or the deregistration of a design, and the cancellation or suspension of an inspection certificate, a certificate of authorization, or a certificate of qualification.

We were not advised of any appeals received by the Boiler and Pressure Vessel Safety Board in 2011-12. The lack of appeals received is due to the concentrated effort to ensure that all program decisions are made in accordance with the legislation, regulations, and published policies and procedures.

Status of Acts, Regulations, and Prosecutions

Although TSASK operates at arm's-length from the provincial government, the Ministry of Government Relations remains responsible for the establishment of public policy, maintaining and amending associated Acts and Regulations, and administering legal sanctions.

TSASK will be taking an active role in the development of recommendations for legislative and regulatory amendment in all three assigned technologies and will be seeking the input of industry and stakeholders during this process.

Fees Amendments

As an independent agency, TSASK must achieve a full cost recovery fee assessment program, whereby those that benefit from the operation of equipment are those that fund the mandated safety programs. To meet the level of service expected by industry, TSASK will implement measures to ensure ongoing financial viability together with safety program success.

The current fees tables contained within existing regulations have not been amended or enhanced since 2008. TSASK has taken existing fees structures and compared several key fee setting principles against them in order to determine the need for amendment. Additionally, TSASK evaluated options to simplify fees and provide clients different service level options. TSASK began communicating a reformed fee structure with clients through multiple means that took effect on July 01, 2012.

Public Education and Information Sessions

As a means to identify and manage the expectations of those that have an interest in our public safety system, TSASK has commenced the development and delivery of public education and information sessions. In 2011-12, TSASK developed and presented courses for licensed gas contractors on the pressure equipment legislation, regulations and requirements that apply to those companies performing boiler installations. Additionally, every entry level limited power engineering examination now begins with a presentation on legislation and how it affects certification and licensing of power engineers. This is a voluntary presentation that is well attended. TSASK will continue to develop other public training and information sessions as needed.

Participation in the Standard Development Process and Liaison with Industry and Other Regulators

TSASK continues to contribute to, and participate in, national and international standards development. As recognized members of the Canadian Standards Association (CSA), the National Board of Boiler and Pressure Vessel Inspectors (NBBI) and American Society of Mechanical Engineers (ASME), TSASK personnel continue to participate on the following technical committees related to codes and standards adopted under provincial legislation:

- CSA B51 – Boiler, Pressure Vessel and Pressure Piping Code
- CSA B52 – Mechanical Refrigeration Code
- CSA B44 – Elevating Devices
- Association of Chief Boiler and Pressure Vessel Inspectors (ACI)
- Association of Provincial Chief Elevator Inspectors (APCEI)
- Standardization of Power Engineers Examinations Committee (SOPEEC)

TSASK is also committed to ensure that it maintains effective liaison with other regulators and industry by attending and participating in the following associations and committees:

- Upstream Chief Inspectors Association (UCIA)
- International Pressure Equipment Integrity Association (IPEIA)
- Saskatchewan Power Engineers Technology Program Advisory Committee

Administrative Staff Play a Key Role

Not only do the administrative staff work with the technical staff to ensure the accurate transfer of inspection data to various electronic databases, but they regularly interact with TSASK's valued clients. The administrative staff are often a first contact with customers and have changed a number of internal processes and procedures in order to provide better professional customer service levels. Key client accounts have been established and administrative staff are developing good customer relationships with those clients to further review internal processes and procedures towards further improving customer services that can later be transferred to all clients. TSASK has begun to hear positive comments from clients over changes seen in 2011-12.

Governance - Board of Directors

The Board of directors is responsible for stewardship, including oversight of the organization and taking a leadership role in the development of the organization's strategic direction. The Board is comprised of 8 members, maintaining a balance of Board members who are industry experts and Board members with successful business backgrounds outside the industry.

Michael Dumelie, Member Human Resources Committee, is a partner in Oxford Libero Consulting, a company he established in 2009. Previously a Senior Vice President of Business Solutions and a Director of Information Technology for CUETS/Bank of America from 2001 to 2008, a Director of Information Management at Saskatchewan Environment and Resource Management from 1998 to 2001, and from 1994 to 1998 Director of Information and Finance and Administration for Saskatchewan Health.

Dumelie served on the Mayor's Economic Development Committee in Regina. He has been involved with the Certified Management Accountants organization at the local, provincial and national level, and is active in coaching local and high-performing hockey teams. He lives in Regina.

Fred Gill, Vice-Chair, was President and CEO of SaskFerco from 2000 to 2010. From 1990 to 2000 he was Vice President of Manufacturing for the same company. Before that, Gill served as Operations Manager for Arcadia Corporation at various plants, from 1976 to 1990.

Gill has served as Chair of the Safety Committee of the Canadian Fertilizer Institute, Chair of the Institute, and was a member of the Mosaic Operating Committee. He lives in Buena Vista.

Ted Hillstead, Chair Audit and Finance Committee, is currently a Senior Partner with Dillon Hillstead Melanson C.G.A. Professional Corporation and Cogent Business Consulting, a position he has held since 1994. He was Dean of Operations for Southwest Regional College from 1990 to 1997, and Coordinator for US Financial Accounting at Evraz Inc., from 1985 to 1990.

Hillstead served as President of the Saskatchewan Chamber of Commerce from 2000 to 2005. He has been a Director of the Weyburn Cooperative Association for the past 11 years, and is currently the 1st Vice President and Chair of the Audit Committee for CAA Saskatchewan. He lives in Weyburn.

Peter Hoffmann, Member Audit and Finance Committee, is currently the Chair of the Board of Regents for Campion College. Prior to that, he was Director of Corporate Development for the Saskatchewan Public Employees Benefits Agency from 2003 until 2008. He served in senior positions with the Saskatchewan Housing Corporation, including as President and CEO of SHC from 1999 to 2001. He began his career with Saskatchewan Government Insurance in 1974.

In recent years, Hoffmann has served as Vice Chair of the Campion College Board of Regents and on the Board of Ranch Ehrlo Community Services Inc. He lives in Regina.

Keith Laxdal, Member Human Resources Committee, has served as chairperson of the Automobile Injury Appeal Commission since December 2009. Previously an Associate Deputy Minister, Finance and Administration Division for Saskatchewan Justice from 1990 to 2008, Associate Deputy Minister, Saskatchewan Finance from 1987 to 1990 and Deputy Minister, Saskatchewan Revenue and Financial Services from 1984 to 1987. Laxdal began his career with the Budget Bureau in Saskatchewan Finance in 1967.

Laxdal's community involvement includes 17 years as a member of the Board of the Credit Union Deposit Guarantee Corporation, as well as serving on the Saskatchewan Film Classification Board and the South Saskatchewan Hospital Board. Laxdal resides in Regina.

Shara McCormick, Chair Human Resources Committee, is the Director of Human Resources at SaskTel, responsible for Strategic Human Resource Planning, Staffing and Development. McCormick has a diverse corporate background having worked in various management roles at SaskTel including; Director of Training, Development & Performance Management, HR Solutions Manager and Marketing Manager. Through her work at SaskTel, she sits on several steering committees including the Corporate Directors Council, the Customer Champion Council and the Management Bargaining Committee. Shara has also been a Sessional Lecturer at the University of Regina. She resides in Regina.

Bob Schutzman, Chair, is the Director of Environmental Affairs and Trade for Canada for Evraz Inc. NA Canada, a Canada wide, multi-plant management role he has filled since 1998. Previously, Schutzman held various positions with IPSCO Inc., was a regulator in the Water Quality Branch of Saskatchewan Environment and Public Safety from 1985 to 1990, an environmental engineer for the Potash Corporation of Saskatchewan from 1980 to 1985, and held various engineering positions back to 1970.

Schutzman has been involved in a number of community and professional boards focused on environmental issues. He was a Founding Director and past Chair of the Saskatchewan Environmental Industry and Managers Association. He resides in Regina.

Bob Watt, Member Audit and Finance Committee, recently retired as a partner with Deloitte and Touche. During his career, he managed the delivery of client services to a number of major companies in Saskatchewan and nationally. Bob brings a strong background in client service, as well as broad experience in management and corporate leadership.

A leader in community organizations in health and education, Bob also holds board positions with the Law Foundation of Saskatchewan and is the Chair of the Audit Committee of the Western Surety Board. He holds an Honours Business Administration degree from the Richard Ivey School of Business, University of Western Ontario, and earned his Chartered Accountant designation in both Ontario and Saskatchewan, becoming a Fellow Chartered Accountant in 1997. Bob resides in Regina.

Financial Performance

Over the last few years, the growing economy has translated into increased commercial, industrial and institutional activity, which in turn requires increasingly responsive services from TSASK.

Since TSASK acquires its operational funding from those companies and individuals who benefit from the use of equipment and programs it regulates, the organization has seen revenue growth across all of the regulated technologies. In the 2010/2011 fiscal year, revenue from operations totaled $5.1 million which increased in the 2011/2012 fiscal year to $5.3 million. Revenue from the past two years did not include any changes to fees from when the function was part of the Ministry of Corrections, Public Safety and Policing.

The first two years of TSASK included transitional payments from government to cover costs, now fully incorporated into TSASK, that were previously absorbed by other government ministries. Going forward, we have established a fee for service schedule based on a model of full cost recovery and will operate solely from revenue earned from clients.

A strong economy, and related revenue from that economy, has provided TSASK with the opportunity to establish capital and operating reserves, all of which contribute to our sustainability. During the year, the Board internally restricted $700,000 (2011 - $nil) for capital investment projects such as leasehold improvements and information technology systems.

TSASK has a Safety Standards Agreement with the government which sets out the rights and responsibilities in respect to its administration of the delegated safety programs. One of the conditions within that Agreement is to maintain an adequate surplus to protect the organization from unforeseen circumstances that would affect the viability of the organization. To that end, the Board restricted $1.2M (2011 - $nil) for this purpose.

Our business is public safety. We are in a growth period of continuous development and improvement. We are investing in the safety programs through increased inspection capability and the modernization of facilities and information technology systems. Through all of the initiatives, we are committed to doing so in a cost effective manner.

Financial Statements
Technical Safety Authority of Saskatchewan
For the year ended June 30, 2012

Management's Responsibility for the Financial Statements

To the Board of Directors:

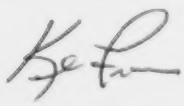
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of Technical Safety Authority of Saskatchewan ("TSASK"). The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for recommending approval of the financial statements to the Board. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Authority's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

September 7, 2012



Chief Executive Officer

Independent Auditors' Report

To the Directors of Technical Safety Authority of Saskatchewan:

We have audited the accompanying financial statements of Technical Safety Authority of Saskatchewan ("TSASK"), which comprise the statement of financial position as at June 30, 2012, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TSASK as at June 30, 2012 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MNP LLP

Regina, Saskatchewan
September 7, 2012

Chartered Accountants

Technical Safety Authority of Saskatchewan
Statement of Financial Position
As at June 30, 2012

	2012	2011
Assets		
Current assets		
Cash	$ 4,526,993	$ 2,288,051
Accounts receivable	203,688	128,933
Other receivables	47,825	14,013
Prepaid expenses	12,344	2,759
	4,790,850	2,433,756
Capital assets (Note 3)	114,745	69,965
	$ 4,905,595	**$ 2,503,721**
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	698,017	346,138
Deferred revenue (Note 7)	1,926,256	1,556,480
Deferred contributions related to capital assets (Note 6)	-	69,965
	2,624,273	1,972,583
Net assets		
Unrestricted	381,322	531,138
Externally Restricted - Safety Standards (Note 8)	1,200,000	-
Internally Restricted - Capital Reserve (Note 8)	700,000	-
	$ 4,905,595	**$ 2,503,721**

Commitments (Note 9)

See accompanying notes to the financial statements.

Approved by the Board:

Director

Director

Technical Safety Authority of Saskatchewan
Statement of Operations and Changes in Net Assets
For the year ended June 30, 2012

	2012	2011
REVENUES		
Boiler and pressure vessel safety	$ 4,521,371	$ 4,327,581
Elevator safety	685,226	644,716
Amusement ride safety	24,404	30,617
Deferred contributions related to capital assets	69,966	69,966
Other	16,693	6,349
Funding from Ministry of Corrections and Policing (Note 12)	3,145,000	1,156,875
	8,462,660	6,236,104
EXPENSES		
Salaries and benefits	5,078,473	3,936,020
Professional consulting services	227,369	430,060
Rent, space and equipment	509,445	584,293
Travel	350,852	316,254
Supplies and services	109,698	118,443
Board and committees	81,669	68,995
Telecommunications	63,614	50,287
Postage, courier and freight	41,508	34,074
Other business expenses	136,990	51,525
Interest and finance charges	42,892	45,049
Amortization	69,966	69,966
	6,712,476	5,704,966
EXCESS OF REVENUE OVER EXPENSES	**1,750,184**	**531,138**
Net Assets, beginning of year	531,138	-
NET ASSETS, END OF YEAR	**$ 2,281,322**	**$ 531,138**

See accompanying notes to the financial statements.

Technical Safety Authority of Saskatchewan
Statement of Cash Flows
For the year ended June 30, 2012

	2012	2011
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 1,750,184	$ 531,138
Items not affecting cash		
Amortization	69,966	69,966
Deferred contribution related to capital assets	(69,966)	(69,966)
	1,750,184	531,138
Net change in non-cash working capital		
Accounts receivable	(74,755)	(128,933)
Other receivables	(33,812)	(14,013)
Prepaid expenses	(9,585)	(2,759)
Accounts payable & accrued liabilities	351,879	238,936
Deferred revenue	369,776	(1,138,660)
	2,353,687	(514,291)
FINANCING ACTIVITIES		
Cash transferred in	-	2,802,342
	-	2,802,342
INVESTING ACTIVITIES		
Capital asset purchases	(114,745)	-
	(114,745)	-
INCREASE IN CASH	**2,238,942**	**2,288,051**
CASH, BEGINNING OF THE YEAR	2,288,051	-
CASH, END OF THE YEAR	**$ 4,526,993**	**$ 2,288,051**

See accompanying notes to the financial statements.

1. Business Description

The Technical Safety Authority of Saskatchewan (TSASK or the Authority) is a not-for-profit organization which was established effective July 1, 2010 through the passing of *The Technical Safety Authority of Saskatchewan Act*. TSASK was created from the Licensing and Inspections Branch of the Ministry of Corrections, Public Safety and Policing, with a mandate of delivering safety programs related to pressure equipment, elevating devices and amusement rides. TSASK was established in response to rapid technological change, industrial and economic growth in the province, and the industry's need for more timely inspection services.

TSASK's registration, inspection, certification and licensing programs and services operate on a fee-for-service basis. These fees are charged to the sectors involved in the manufacturing, installing and operating of technical equipment. TSASK entered into the Safety Standards Agreement with the Government of Saskatchewan to establish the rights and responsibilities of the parties and the terms and conditions for the delegation to the Authority of the administration of the safety statutes in accordance with the Act.

TSASK administers and enforces the following legislated safety statutes:

- *The Boiler and Pressure Vessel Act*
- *The Passenger and Freight Elevator Act*
- *The Amusement Ride Safety Act*

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(a) Revenue Recognition

TSASK follows the deferral method of accounting for grant contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and the expenses relating to the contribution are incurred.

Revenue received by TSASK in advance of the actual performance of services is deferred and is recorded as unearned revenue. Boiler and pressure vessel safety, elevator safety and amusement ride safety revenue is recognized in the period to which the revenue relates. Unearned fees are recorded as deferred revenue and recognized as earned.

Other revenue is recorded when earned and is recorded on the accrual basis.

(b) Cash

Cash is comprised of balances with the bank and is recognized at their fair value.

(c) Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives. Amortization expense is calculated using the straight-line method at the following annual rates:

Office Furniture	50%
Management Information System Software	33%

(d) Deferred Contribution Related to Capital Assets

Deferred contributions related to capital assets are restricted contributions for the purpose of acquiring capital assets. These contributions are deferred and recognized as revenue on the same basis as the related capital assets are amortized.

(e) Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Accounts receivable are stated after evaluation as to collectable and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of the asset.

These estimates and assumptions are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known.

(f) Income Taxes

TSASK is incorporated as a not-for-profit organization and is exempt from income taxes.

(g) Financial Instruments

TSASK recognizes its financial instruments when TSASK becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value. TSASK financial instruments consist of cash, accounts receivable, other receivables, and accounts payable and accrued liabilities. TSASK subsequently measures financial instruments at fair value.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in net earnings.

3. Capital Assets

			2012	2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture	**139,931**	**139,931**	-	**69,965**
Software	**114,745**	-	**114,745**	-
	254,676	**139,931**	**114,745**	**69,965**

The management information system software is being customized. Amortization will commence once the software is operational.

4. Demand Operating Facility Agreement

On August 16, 2011, a Demand Operating Facility Agreement was signed with the Toronto-Dominion Bank providing for a revolving line of credit for loans and overdrafts not to exceed $250,000. The interest rate is set at prime rate + 0.500% per annum. Bank Security under the agreement consists of a first charge to acquired personal property and guarantees. There were no amounts drawn down during the year.

5. Accounts Payable and Accrued Liabilities

	2012	2011
Trade payables	74,587	18,022
Accrued liabilities	397,967	189,053
Employment insurance payable	26,500	13,234
Canada pension plan payable	49,234	22,686
Income tax Payable	735	1,801
Payroll employer liabilities	139,526	66,169
Provincial sales tax payable	4,722	-
Goods and services tax payable	4,746	35,173
	698,017	**346,138**

6. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized amount of contributions for office furniture. Contributions will be recognized on the same basis as the related capital assets are amortized.

	2012	2011
Deferred contributions, beginning of year	69,965	-
Contribution received upon inception	-	139,931
Recognized as revenue during the year	(69,965)	(69,966)
Deferred contributions, end of year	-	69,965

7. Deferred Revenue

	2012	2011
Deferred elevator licensing	269,275	242,470
Deferred operators licensing	952,924	902,996
Deferred boiler and pressure vessel licensing	704,057	411,014
	1,926,256	**1,556,480**

8. Restrictions on Net Assets

During the year, the Board internally restricted $700,000 (2011 - $nil) for capital investment projects such as leasehold improvements and information technology systems.

The Safety Standards Agreement requires a reserve be set up to maintain adequate surplus to protect the organization from unforeseen circumstances that would affect the viability of the organization. The board has restricted $1.2M (2011 - $nil) for this purpose.

9. Commitments

TSASK has entered into leases for office premises in Regina and Saskatoon. The future minimum lease payments are as follows:

2013	$245,639
2014	241,139
2015	241,139
2016	187,809
2017	187,809
Thereafter	31,302

10. Pension Plan

TSASK participates in the Public Employees Pension Plan, a defined contribution pension plan. TSASK's obligations to the Plan are limited to 7.25% of earnings for in-scope employees and 7% of earnings for out-of-scope employees. Effective April 1, 2012 TSASK contributes 7.25% of earnings for all employees for current services. During the year, TSASK contributed $305,227 (2011- $208,625) to the plan, which is recorded as an expense.

11. Financial Instruments

(a) Fair Value

TSASK financial instruments consist of cash, accounts receivable, other receivables, and accounts payable and accrued liabilities. The carrying amount of the TSASK's financial instruments approximates their fair value, due to their relatively short-term maturities.

(b) Credit Risk

TSASK is exposed to credit risk in accounts receivable in the event that a customer fails to honor its obligations. Credit risk is managed with regular credit assessments and active collection activity. In the event that an account is deemed uncollectible, the account will be written off as a bad debt.

(c) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. TSASK has no significant exposure to interest rate risk.

12. Transfer of Transition Revenue

On March 30, 2012 the Ministry of Corrections, Public Safety and Policing transferred to TSASK under Order in Council 135\12 transition revenue of $3,145,000 (2011- $1,156,875).

13. Transactions with Government

TSASK has routine operating transactions with the Government of Saskatchewan which are recorded at the rates charged by the Government of Saskatchewan and are settled on normal trade terms. Included in expenses are transactions with the Government of Saskatchewan amounting to $610,045 (2011 - $659,538) of which $39,378 (2011 - $33,432) was payable at June 30, 2012.